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Big ambitions at odds with thrift in Northern Territory budget

The 2021-22 Northern Territory budget sets the scene for fiscal consolidation, with modest new spending and a proposed hard debt ceiling offering a glimpse of things to come.

CPA Australia General Manager External Affairs, Dr Jane Rennie, said “There’s an element of thrift to some of the budget measures which may make it harder for the government to achieve its ambition of a \$40 billion economy by 2030.

“Now is the time for expansionary fiscal policy. The Territory lags behind other states and territories on a number of economic indicators and COVID is far from over. We think it’s too early to tighten the public purse strings.”

The centrepiece of the budget is \$1.6 billion in infrastructure investment. Rennie noted, “When it comes to public infrastructure this is not a huge sum of money and is likely to have limited impact on jobs and growth. More investment in public infrastructure may be needed in coming budgets.”

Another challenge for the Territory’s economic recovery is attracting and retaining labour. Two million dollars is allocated to a Critical Worker Support Package, which includes training and payments to attract workers from interstate but may not be sufficient.

“Labour shortages are an Australia-wide issue right now. The Territory is competing with other regions in the battle to attract workers. This won’t be the only budget to offer inducements,” observed Rennie.

According to Rennie, the success of labour incentives will be determined by factors such as; “Are the incentives attractive enough, is the incentive pool big enough, is affordable housing available, as well as appropriate support and infrastructure for new workers and their families.

The Territory’s net debt is expected to reach \$9 billion in the next financial year – \$1 billion lower than expected in the last budget.

Rennie said, “With the cost of borrowing so low at present, we don’t consider the size of the Territory’s debt concerning. Nor are we concerned about the forecast \$1.36 billion deficit for 2021-22. Additional borrowing to properly fund some of the budget measures is preferable to underinvesting.”

The government used the budget to flag its intention to legislate a hard debt ceiling of \$15 billion. Rennie said, “Measures like this don’t allow for events beyond the government’s control, such as natural disasters, and may need to be unwound.”

At a time when many small businesses are struggling to access finance, CPA Australia welcomed the expansion of the Local Jobs Fund to provide concessional loans and financing to small and emerging businesses. Also singled out for praise is the \$12 million in funding allocated to continue the Aboriginal Ranger Grants program.

“Initiatives such as this embed environmental sustainability into Australia’s economic recovery while supporting a pro-growth, pro-jobs, economic rebuild,” said Rennie.

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